

Rewald Plan Had Roots in Wisconsin

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Frank Bevsek and Sunlin Wong have a lot in common when it comes to their association with Ronald Rewald.

Rewald approached both of them about becoming consultants. He persuaded each to become his business partner. He made each the president of a company and got them to put the most money into the partnership.

The difference is that Wong became president of Bishop, Baldwin, Rewald, Dillingham & Wong while Bevsek was president of Consolidated Mutual Investment Co. (CMI), a sort of Bishop, Baldwin Jr.

Although Bevsek never left Wisconsin, the story he tells about his business relationship with Rewald shares many similarities with the story Wong told last week in Rewald's federal perjury and fraud trial.

Bevsek took the stand yesterday to describe how he became associated with Rewald in Milwaukee. The government wants to show the jury that Rewald's methods of starting his Hawaii company had its roots in Wisconsin. The main difference, according to the government, is that the Hawaii company developed into an elaborate ponzi scheme in which some 400 investors lost millions of dollars.

REWALD SAYS the difference is that the Hawaii company was a CIA front in which investors' money was used for CIA projects with the understanding that the CIA would pay it back.

Bevsek went into business with Rewald in 1976, shortly after College Athletic Supply, a Rewald-run sporting goods store, went bankrupt. Bevsek said he wanted to get out of the funeral business and felt sporting goods would be a good change.

With Rewald's expertise and Bevsek's money, the two men agreed to take over yet another bankrupt sporting goods store.

Riverside Athletic Supply, and see if they could operate it profitably.

According to Bevsek, Rewald came up with the idea of forming Consolidated Mutual Investment Co., which would be a sort of parent company for Riverside and whatever other sporting goods stores the men bought. At this point, the similarity between what happened to Bevsek and Wong becomes striking.

FOR INSTANCE:

Both men agreed to join Rewald in forming a company, but they really had no idea what the company was to do. Bevsek said CMI was to be a "holding company" but he told Assistant U.S. Attorney David Katz yesterday he did not know what a "holding company" was.

Bevsek agreed to put up \$25,000 in CMI while Rewald would put up nothing. Two years later, Wong would put up part of his real-estate business as his share of Bishop, Baldwin. Rewald's share of Bishop, Baldwin would be 25 percent of CMI, into which he had put nothing to begin.

Rewald suggested that Bevsek be president of CMI while he would be chairman of the board. Wong agreed to the same arrangement for BBRD&W.

Bevsek said CMI had no accounting books, but operated from a checkbook. BBRD&W also kept no real books, but only operated a checking account.

Rewald placed an advertisement in the Wall Street Journal stating that CMI did personal financial and loan consulting. Bevsek, as president, said he knew nothing of the claims Rewald made about the company and didn't even know that the advertisement ran. Wong testi-

fied that although he was Bishop, Baldwin president, he did not know Rewald was making certain representations about the company in a number of brochures.

Bevsek said he hardly questioned Rewald's handling of CMI and the sporting goods business. When Rewald asked Bevsek to fill out a Securities and Exchange Commission registration, Bevsek did so. The prosecutor asked Bevsek why he didn't question what was the purpose of the SEC registration. "I wouldn't know what questions to ask him," Bevsek said. When Rewald asked Wong to sign the Bishop, Baldwin incorporation papers, Wong did not question what his role in the company would be.

IN 1977, REWALD came to Hawaii to set up a sporting goods operation here. He resigned from Riverside Athletic. It wasn't long after that that Bevsek shut the doors to Riverside.

"I was broke," he said.

But with Riverside and Bevsek in his past, Rewald arrived in Hawaii to become the incredibly successful international financial consultant. Unknown to Bevsek, who still was CMI president, Rewald filed an amended SEC registration making CMI a Hawaii corporation. Then, in 1978, still unknown to Bevsek, Rewald had the name changed to Bishop, Baldwin, Rewald, Dillingham & Wong.

Bevsek tried to make it as a sporting goods salesman after the Riverside collapse, but it didn't work out. He testified yesterday that he eventually went back to work for a mortuary.

While that may not be a happy ending, Bevsek did do better than Wong in the end.

After Bishop, Baldwin collapsed in 1963 and millions of dollars of investors' money was discovered missing, Wong pleaded guilty to fraud and was sentenced to two years in prison.